

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 EB-11 OMB-01 DRC-01 NIC-01

AID-20 COME-00 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 STR-08 /176 W  
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E.O. 11652 NA

TAGS: PINT, ECON, DA.

SUBJ: NEGOTIATIONS ON GOVERNMENT'S PROGRAM REACH CRITICAL STAGE

REF: COPENHAGEN 0220 AND 0145

SUMMARY: GOVERNMENT AND OPPOSITION LEADERS ARE LOCKED

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IN HARD FOUGHT NEGOTIATIONS OVER ECONOMIC POLICY, ON

WHICH PRIME MINISTER HARTLING'S CONTINUATION IN OFFICE DEPENDS. HARD BARGAINING HAS BEEN CHARACTERIZED BY SOCIAL DEMOCRATIC ATTEMPTS TO REPLACE LARGER SEGMENTS OF GOVERNMENT'S PROGRAM WITH IDEAS OF ITS OWN, WHILE HARTLING THREATENS TO CALL NEW ELECTIONS ON MARCH 5, TO COINCIDE WITH ALREADY SCHEDULED LOCAL ELECTIONS. NEGOTIATIONS CONTINUE TONIGHT AND ARE EXPECTED TO RESULT IN DEFINITE "GO - NO GO" DECISION WITH PREPONDERANCE OF OPINION LEANING TOWARD NEW ELECTIONS. END SUMMARY.

1. NEGOTIATIONS BETWEEN PRIMIN POUL HARTLIN'S MODERATE LIBERAL GOVERNMENT AND THE SOCIAL DEMOCRATIC PARTY (SDP) ON THE GOVERNMENT'S PROPOSED ECONOMIC PROGRAM HAVE REACHED THE MAKE OR BREAK POINT. IF A BROAD PACKAGE COMPROMISE IS NOT ATTAINED IN THE NEXT FEW HOURS, HARTLING IS EXPECTED TO CALL NEW ELECTION MARCH 5, COINCIDENT WITH THE MUNI-CIPAL ELECTIONS ALREADY SCHEDULED FOR THAT DATE. ACCORDING TO DANISH ELECTORAL PRACTICE, A PERIOD OF APPROXIMATELY THREE WEEKS IS CONSIDERED MINIMUM ADVANCE NOTICE FOR ADMINISTRATIVE PURPOSES. COMBINED WITH THE WEEK SET ASIDE FOR THE NORDIC COUNCIL SESSIONS, FEB 15-20, THE PRACTICAL DEADLINE FOR CALLING MARCH 5 ELECTION WOULD BE FEB. 7-8.

2. THE GENERAL OUTLINE OF A POSSIBLE COMPROMISE PACKAGE HAS EMERGED FROM THE MODERATE LIBERAL - SDP NEGOTIATIONS DURING THE PAST TWO DAYS, WITH THE GOVERNMENT EVIDENTLY HAVEING MADE THE GREATEST CONCESSIONS. ITS PROPOSAL TO FREEZE THE THREE COST-OF-LIVING WAGE INCREMENTS, DUE TO BE ADDED TO THE COUNTRY'S WAGE BILL AS OF MARCH 1, HAS BEEN DROPPED AT THE INSISTENCE OF THE TRADE UNION FEDERATION (LO). IN PLACE OF THIS ANTI-INFLATION MEASURE THE COMPROMISE WOULD INSTITUTE A SYSTEM OF FORCED SAVINGS BASED ON A PROGRESSIVE SCALE, AFFECTING ALL INCOMES OVER 50,000 KRONER PER YEAR (7,600 DOLLARS). TO COMPENSATE EMPLOYERS, WHO WOULD HAVE TO PAY THE COST-OF-LIVING INCREASES, THE GOVERNMENT WOULD GIVE A DIRECT SUBVENTION OF 2400 KRONER (\$365) PER EMPLOYEE, APPROXIMATELY THE COST OF THE WAGE INCREMENTS FOR THE YEAR. THE COMPROMISE ALSO INCLUDES A NUMBER OF TAX MEASURES, AS WELL AS AGREEMENTS ON SOCIAL WELFARE PROGRAMS. THE LIMITED OFFICIAL USE

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PRIMARY ISSUE NOW IN CONTENTION IS WHETHER THE COMPROMISE PACKAGE WOULD CONSTITUTE AN INTEGRATED ECONOMIC PROGRAM, BINDING THE GOVERNMENT DURING THE COMING MONTHS (AS THE SOCIAL DEMOCRATS DEMAND) OR A GENERAL, BUT NOT ALL-INCLUSIVE PROGRAM, PRMITTING THE GOVERNMENT LATITUDE IN FUTURE TO CHANGE AGRICULTURAL TAXES, OR REDUCE CERTAIN SOCIAL WELFARE BENEFITS IF THIS SHOULD PROVE NECESSARY. AT LAST REPORT, THE GOVERNMENT HAS BEEN UNWILLING TO CONCEDE THIS POINT,

AND BELIEF IS SPREADING THAT AN EARLY ELECTION IS  
INEVITABLE. LO CHAIRMAN THOMAS NIELSEN TOLD EMBOFF THAT  
HE DID NOT BELIEVE A COMPROMISE POSSIBLE, AND THAT HE  
WOULD NOT BE SATISFIED WITH THE COMPROMISE CURRENTLY UNDER  
DISCUSSION.

3. ON THE OTHER HAND, ALL PARTIES ARE AWARE THAT A  
FOLKETING ELECTION MARCH 5 WOULD PRIMARILY BENEFIT MOGENS  
GLISTRUP'S PROGRESSIVE PARTY (MOST RECENT POLL INDICATES  
A 1 PER CENT INCREASE IN HIS POPULAR SUPPORT SINCE DEC. 4  
ELECTION), AND WOULD, IN ADDITION, GIVE HIS PARTY EVEN  
MORE SUCCESS IN THE MUNICIPAL ELECTIONS THAN ALREADY  
EXPECTED. THE SOCIAL DEMOCRATS (UP FOUR  
PER CENT OVER THEIR DEC. 4 LEVEL) FEEL THEMSELVES SUFFIC-  
IENTLY SECURE, HOWEVER, TO PRESS THE GOVERNMENT TO THE  
LAST POSSIBLE CONCESSION.  
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